

PRICEVALUEPARTNERS

#EUvacuate !

“..So the EU has a choice. It can bow to the fait accompli of Italy's revolt and allow Rome to let rip with fiscal reflation. It can accept that the euro has slipped German control, and that EMU is henceforth a lira-zone on Club Med terms. In which case Germany may leave.

“Or it can pull out the thumbscrews, the pillory, and the rack, working day and night to overturn Italian democracy. If this succeeds, it can only be at an extremely high political cost. But it might not succeed. In which case Italy may leave, taking Spain, Portugal, Greece, and much of the German banking system with it.

“In a dysfunctional monetary union, you pick your poison.”

- Ambrose Evans-Pritchard, *The Daily Telegraph*, 24 May 2018, 'Juncker's 'torture tools' are useless against Italy's well-armed uprising'.

A few months ago, a [publisher and bookseller](#) kindly sent us “a little gem of a book”: ‘The Making Of The Euro’ by Claudio Hils, a somewhat humourless coffee table hardback redeemed by one or two beautiful photographs of printing presses and hologram foil security patches. Recounting, as it does, the literal making of the euro, the book already feels somewhat ossified, frozen in and by history. That time has marched on can be seen from the rather hubristic foreword by Dr. Jürgen Linden, Lord Mayor of the City of Aachen:

The euro is being awarded the International Charlemagne Prize of Aachen for 2002. At first sight, this seems wholly inexplicable. A currency is to be awarded a prize intended to honour an individual's contribution to the unification of a continent? In actual fact – and this is something we have already noticed after only a few weeks – the unifying effects of the common currency in, for the time being, 12 countries have proved to be highly significant. The degree of acceptance of the euro has been surprisingly good wherever we look.

To get the full irony from the current vantage point of the European economy, you probably have to read the original German (which is printed alongside the English translation throughout):

Der Internationale Karlspreis 2002 geht an den Euro. Natürlich stößt diese Meldung zunächst auf Unverständnis. Ein Preis, der als Würdigung einer menschlichen Leistung für die Einigung eines Kontinentes gedacht ist, soll an eine Währung gehen? Gewiss, schon nach nur wenigen Wochen war zu spüren, wie groß die einigende Wirkung

unserer gemeinsamen Wahrung in den vorerst zwolf Staaten ist. Wo man auch hinblickt, wurde der Euro erraschend positive aufgenommen.

In fact, to get the very fullest irony from the vantage point of 2018, it would probably be necessary to rustle up that paragraph in French (on the basis that we English-speaking Brits had, in truth, precious little to do with the currency neutron bomb slowly detonating across the economies of the euro zone). Through the easy if not necessarily wholly reliable miracle of Google Translate:

L'euro a t dcern le Prix international Charlemagne d'Aix-la pour l'anne 2002. A premire vue, cela semble tout  fait inexplicable. Une monnaie doit tre attribu un prix destin  honorer la contribution d'un individu  l'unification d'un continent? En ralit – et c'est quelque chose que nous avons dj remarqu aprs seulement quelques semaines – les effets unificateurs de la monnaie commune, pour le moment, 12 pays se sont rvls tre trs significatif. Le degr d'acceptation de l'euro a t tonnamment bien partout o nous regardons.

In the interests of fairness, why stop there? We should allow our Spanish friends to share in the sense of achievement :

El euro est siendo galardonado con el Premio Internacional Carlomagno de Aquisgrn en 2002. A primera vista, esto parece completamente inexplicable. Una moneda es un premio destinado a honrar la contribucin del individuo a la unificacin de un continente? En realidad – y esto es algo que ya hemos dado cuenta despus de slo unas pocas semanas – los efectos unificadores de la moneda comn en, por el momento, 12 pases han demostrado ser altamente significativo. El grado de aceptacin del euro ha sido sorprendentemente bueno dondequiera que miremos.

And let's not overlook the Greeks:

Το ευρώ είναι να απονεμηθεί το Διεθνs Βραβio Καρλομγνου του ααχεν για το 2002. Εκ πρτης ψεως, αυτό φαίνεται εντελs ανεξήγητο. να νόμισμα είναι να απονεμηθεί να βραβio προορίζεται για να τιμήσει τη συμβολ ενός ατόμου για την ενοποίηση της ηπείρου; Στην πραγματικότητα – και αυτό είναι κάτι που χουμε ήδη παρατηρήσει μετ από λίγες μνο εβδομδες – τα αποτελσματα της ενοποίησης του κοιν νομίσματος, για την ρα, 12 χρες χουν αποδείξει τι είναι πολ σημαντική. Ο βαθμs αποδοχs του ευρώ ήταν εκπληκτικ καλ που κι αν κοιτξουμε.

Finally, last but absolutely by no means least, the Italians deserve a shout:

L'euro ricever il Premio Internazionale Carlo Magno di Aquisgrana per il 2002. A prima vista, questo sembra del tutto inesplicabile. A una moneta verr assegnato un premio destinato ad onorare il contributo di un individuo all'unificazione di un continente? In realt - e questo  qualcosa che abbiamo gi notato dopo solo poche settimane - gli effetti unificanti della moneta comune, per il momento, 12 paesi hanno dimostrato di essere molto significativi. Il grado di accettazione dell'euro  stato sorprendentemente buono ovunque guardiamo.

Our bookseller friend added,

There are very few illustrated books in the history of Economics. The first book was a Dutch satirical work consisting of plates and poems on John Law and the South Sea Bubble published in 1720. Many similarities there.

..Roughly a year ago we first wrote about Leopold Kohr. As a reminder, Kohr was an Austrian Jew who only narrowly escaped Hitler's Germany just before the outbreak of the Second World War. He had been born in Oberndorf in central Austria, a village of just 2,000 or so. Oberndorf's lack of size came to play a crucial role in Kohr's thinking. Kohr graduated in 1928 and went off to study at the London School of Economics with the likes of fellow Austrian Friedrich von Hayek.

In September 1941, Kohr began writing what would become his masterwork, 'The Breakdown of Nations'. In it he argued that Europe, far from expanding, should be "cantonized" back into the sort of small political regions that had existed in the past and which still existed in places like Switzerland, with a commitment to private property rights and local democracy. "We have ridiculed the many little states," wrote Kohr sadly, "now we are terrorised by their few successors."

Kohr showed that there were unavoidable limits to the growth of societies, not least to the complexity that is a natural part of larger systems:

Social problems have the unfortunate tendency to grow at a geometric ratio with the growth of an organism of which they are a part, while the ability of man to cope with them, if it can be extended at all, grows only at an arithmetic ratio.

But as the European Union and its common currency bloc grow ever larger, it collides horribly with Kohr's thesis. Take José Manuel Barroso's 2012 State of the Union address as President of the European Commission:

Globalisation demands more European unity. More unity demands more integration. More integration demands more democracy.

But the words he smears together – unity, integration, democracy – have no meaning in this perfunctory Orwellian doublespeak. Democracy demands the primacy of the individual over the unelected Brussels bureaucrat.

There must be something in the water in Austria. Not just Leopold Kohr but Carl Menger and Ludwig von Mises and Friedrich Hayek.. Each in their way warning of the dangers of central planning and the unchecked power of the state. And not just Austrians but Czechs – see Václav Klaus' [interview](#) with The Sunday Telegraph where he warns that statehood and sovereignty are impossible in the sort of federation that Europe's bureaucrats aspire to.

The financial crisis is not limited to the euro zone, being in essence a largely intractable global problem of debt. But Europe is as good an example of any to illustrate the dangers of allowing political and banking interests to predominate, especially given that both groups are almost entirely dependent on the perpetuation of unsound money. Speaking of which..

“I bought the last 200 remaining copies for one euro each,” writes our bookseller friend of ‘The Making Of The Euro’ – “not surprisingly it was remaindered. The difference is that books which don’t sell find their way onto the remainder tables very quickly in the UK. In Europe it takes a little longer to own up to mistakes.. especially state-sponsored events.”

This piece has been lightly adapted from a post first published at [The Price of Everything](#) in 2012.

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